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Possible terror ties devastate tech firm

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Wednesday, January 1, 2003 Posted: 12:32 PM EST (1732 GMT)

QUINCY, Massachusetts (AP) -- Life has quieted down at Ptech Inc. in the month since the software firm's offices were searched by federal agents with television news crews and a wave of devastating publicity hard on their heels.

But it's a bad kind of quiet. Business has slowed, and 17 of 27 workers have been let go.

The remainder are confronting hateful voice message and e-mails. The bank accounts of four employees of Middle Eastern descent have been canceled, without explanation.

"I feel like I'm not allowed to dream," chief executive and co-founder Oussama Ziade said in a recent interview.



Oussama Ziade, CEO of Ptech Inc., left, and Chief Product Officer James Cerrato are trying to rebuild the company's reputation.

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Injured bystander?

Ptech is similar to a thousand other software startups, but its fortunes turned on a distinction: It has connections to Middle Eastern people and groups that have attracted attention from federal authorities investigating the funding of terrorist groups like al-Qaida.

Ptech calls itself an injured bystander in the war on terrorism. Ziade says the company has been assured neither it nor any employees are the target of government investigations, and the government has said use of Ptech's software poses no threat to clients like the FBI and Pentagon.

Ptech says its connections simply reflect how networking takes place at small companies. Investors introduce other investors. Employees refer other employees. It's hardly surprising, the company maintains, that expatriate Middle Easterners should have their own network.

Still, some anti-terrorism experts remain troubled by the variety of the company's ties to groups under suspicion by the U.S. government.

Picture of Ptech

Ptech was born in 1994 when Ziade, who had come to the U.S. from Lebanon to study at Harvard, and co-founder James Cerrato teamed up to develop software that visually represents large amounts of information. The idea was to help complicated organizations like the military and large companies create a picture of how their assets -- people and technology -- work together. Then the software could show how little changes, like combining two departments, might affect the whole. Ptech even thought it might help the new Department of Homeland Security.

Ziade did what any entrepreneur would do: he made calls, milked connections,

One came from BMI, a New Jersey company that had leased computer equipment to the pair and that introduced Ptech to Sarmany Ltd., an investment company backed by Saudi financier Yasin al-Qadi. Sarmany invested \$5 million in Ptech, a quarter of the \$20 million Ptech raised from about 50 "angel" investors.

Al-Qadi visited Ptech in 1994, and he and Ziade met several times in Saudi Arabia.

"What we tried to do is keep him interested, because he's connected to a lot of VCs (venture capitalists) in Saudi Arabia," Ziade said. "He's known as an international businessman that has connections."

But al-Qadi wouldn't bite on another round of funding. By all accounts he took little interest in the company, and Ptech figured it had seen the last of him, or at least his money.

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Surviving the slump

A month after the Sept. 11, 2001, attacks, however, al-Qadi's name surfaced on a U.S. government list of individuals and groups suspected of funding terrorism. His assets were frozen.

Ptech officials say they debated whether to volunteer to authorities that al-Qadi was a long-ago investor.

"The management knew about it and we talked to the lawyers about it and said, 'What should we do?'" Ziade said. Because al-Qadi was never a shareholder of record, "the lawyers suggested there is nothing that needs to be done."

Ptech's attention was focused on surviving the post-Sept. 11 slump, which hit it hard. Customers and potential investors closed up their checkbooks. Ptech got a Small Business Administration disaster loan but still had to lay off workers.

It was a troubling time for Muslim employees, who numbered about 25 out of the 200 who have worked there.

"Their religion was being hijacked and they were troubled by that," former chief financial officer George Peterson said. "The employees who had to travel were concerned about being profiled."

Escalating problems

Last August, the company's problems suddenly escalated. According to Peterson, a Dubai-based investor who had committed \$7 million to the company pulled out of the deal. He apparently feared that a lawsuit filed by victims of the terrorist attacks could freeze the U.S. assets of Middle Eastern investors.

That same month, another former chief financial officer called to say she had been questioned by federal authorities about al-Qadi. Ptech called the FBI and offered full cooperation, but got no response. Over Thanksgiving weekend, Treasury and FBI agents called Peterson, who was CFO for a year in 2001 and 2002.

"They asked questions about, did I know anything unscrupulous going on at Ptech, and I told them I was not aware of any," he said. "They asked me if I was aware of any money laundering that was going on. I said absolutely not."

Again, Ptech contacted the FBI, but heard nothing until agents from the Customs service and other agencies said they wanted to take a look around on December 6.

Media frenzy follows

As Ptech executives let the agents in and helped them find the paperwork they

were looking for, reporters got wind of the search, surrounded Ptech's offices and went door-to-door in executives' neighborhoods to ask about the people who worked there. The media frenzy prompted the U.S. Attorney's office to issue an unusual statement saying it was premature to suggest the investigation was terrorism related.

Ptech's lawyer, Mark Berthiaume, stressed that Ptech had no reason to be alarmed by al-Qadi, who has denied funding terrorism.

"Throughout this period in the 1990s, until Qadi was put on the list in 2001, he was a very well-respected businessman in the Saudi community," Berthiaume said. Al-Qadi had met with former President Jimmy Carter and Vice President Dick Cheney.

Ziade said Ptech had no business dealings with al-Qadi after he appeared on the list, though Ziade "ran into him" recently in Saudi Arabia.

Al-Qadi's appearance on the list was not the first time his name surfaced in connection with terrorism funding, however. Nor was al-Qadi the only link between Ptech and groups that have attracted authorities' attention.

In a 1998 FBI affidavit, al-Qadi was said to have provided a loan related to a complex land deal in Chicago that was used to fund Hamas, the Palestinian terrorist group. The loan was instructed to be repaid to Qadi International, care of BMI, the company that introduced Ptech to Sarmany, and "Attn: Gamel Ahmed." Ahmed was Ptech's comptroller for about a year-and-a-half in the mid 1990s. Both BMI and Ptech also employed Hussein Ibrahim, an adjunct professor at Columbia. Ziade said BMI had no other connection with the company than the lease and the introduction to Sarmany.

Complex trail investigated

In March, federal authorities investigating terror funding raided businesses controlled by Sterling Advisory Services, whose chief executive was Yaqub Mirza. Mirza served on a Ptech advisory board. He had been recommended to Ptech by an investor (not al-Qadi), Ziade said. "He took some companies public and understood high-tech, and I understood he had a lot of connections in the industry," Ziade said. A six-month background check turned up nothing but praise.

Ptech declined to say whether Mirza also invested in Ptech, but papers filed in Virginia and obtained by The Investigative Project, an anti-terrorism think-tank, indicate Sterling controlled a company called "Ptech Fund LLC."

After the raid, Mirza offered to resign from Ptech but the company declined.

"I learned about it, and I called the other board members and talked to other people in management and talked to other companies (whose board) he sits on," Ziade said. "They told me in America people are innocent until proven guilty."

Mirza eventually resigned, in September, to give Ziade more freedom, Ziade said.

Until August, Ptech employed Suheil Laher, listed as an officer at Care International, a Massachusetts charity that has reportedly been investigated by authorities for possible financial ties to terrorists.

No indication money was misused

And Ptech still employs Muhamed Mubayyid, Care's treasurer, who donated \$360 to the Alkifah Refugees Center in Brooklyn, New York, according to a receipt obtained by The Investigative Project. The center was named by federal prosecutors as the center of the conspiracy to bomb the World Trade Center in 1993.

A note on the donation's receipt reads: "Make checks payable to Dr. Abdullah Azam." Azam is believed to have been a mentor of Osama bin Laden.

There is no indication the money was used for anything besides charity. Another note on the receipt reads: "When you support an orphan or handicap according to

forms 3/4, he will send you a copy + photograph of the orphan/handicap and all the information."

Through an e-mail, Mubayyid declined to comment. The FBI and Customs Service also declined to comment.

To Ziade, those connections are distant and inconsequential. In the start-up world, people simply tend to know each other, so connections aren't surprising. BMI introduced Sarmany; Mirza was recommended by other entrepreneurs; Laher was referred by a co-worker who attended the same mosque.

"It's a small world," Ziade said. "You have a small community here. People sometimes refer and say, 'This a good engineer.'"

But The Investigative Project's Matt Epstein said that, while he doesn't believe Ptech's software poses any kind of threat, the sheer coincidence of so many such connections emerging in one small company is worrisome.

"It's more a question of what kind of people are we giving access to our government institutions," he said. "If it's the same guys our government is investigating, that's a problem."

Rebuilding the company, reputation

These days, Ziade is trying to rebuild his company and its reputation. New business has dried up, and a research firm advised clients to take business elsewhere because Ptech would likely be "distracted." Ptech has told customers it may consider reorganizing under a new name.

Ziade says he is angry not at the government, but at the media, and only hopes people will see through the stories.

The company's experience troubles Imam Talal Eid of the New England Islamic Center, where several Ptech employees worship.

"Now every time they put out a resume that says they were with Ptech, they'll hear Ptech was 'suspected,'" he said. "Go ahead and investigate someone, but don't destroy him if he's innocent."

Ziade says his only hope for Ptech is that people will see through media coverage of the company. But he is not optimistic.

The terrorists, he said, "are winning by killing our fabric, by killing our morals, by killing our values."

"We are American like the others and we are part of this fabric," he said.

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